MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

DEC5078 – INTRODUCTION TO ECONOMICS

(For Diploma Students only)

17 OCTOBER 2015
9.00 a.m – 11 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 13 pages excluding cover page with Section A, B and C only.

2. Answer **ALL** questions. Section A, B and C.

3. Answer for section A and B should be shaded on the OMR sheet provided.

4. For Section C, please write your answer in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS (40 Marks). Answers for this section should be shaded on the OMR form.

1. The study of choices that individuals and businesses make and also the way those choices interact in markets, and the influence of governments is about _____.

   A. economics
   B. microeconomics
   C. macroeconomics
   D. neuroeconomics

2. "Malaysian Ringgit has been shown to be recovering for these past few years."

   Which of the following perspective is related to the statement above?

   A. Economics perspective
   B. Microeconomics perspective
   C. Macroeconomics perspective
   D. Environmental economics perspective

3. The following is considered as the factors of production, **EXCEPT** _____.

   A. craftsman in wood furniture factory
   B. vice president of Boeing
   C. Tesco's customers
   D. Sunway Construction Berhad

4. When Fatihah buys a can of soda to quench her thirst, she is said to fulfil her _____.

   A. self interest
   B. social interest
   C. efficiency
   D. equity

5. When it is possible to make someone better off without making someone else worse off, the resource is used _____.

   A. efficiently
   B. fairly
   C. effectively
   D. justicely

Continued .....

Question 6 and 7 are based on Figure 1.

6. The best production is at point _____.

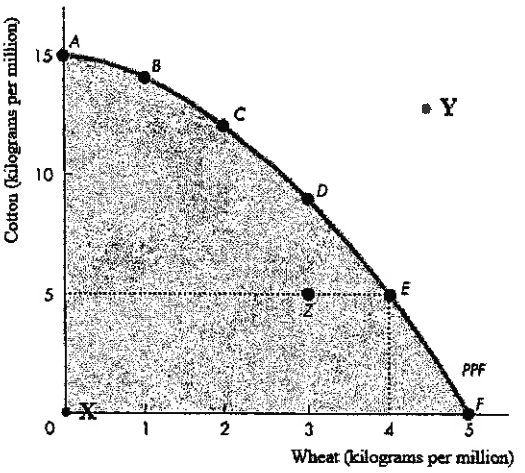

Figure 1

A. Z
B. D
C. Y
D. X

7. Point Z in Figure 1 indicates that the resource is

I. efficient.
II. misallocated.
III. inefficient.
IV. unattainable.

A. I only
B. II and III only
C. II, III and IV only
D. IV only

8. The *Law of Demand* states that, the higher the price of a good, the _____ is the quantity demanded; and the lower the price of a good, the _____ is the quantity demanded (*Ceteris paribus*).

A. larger; smaller
B. smaller; larger
C. cheaper; expensive
D. expensive; cheaper

Continued .....

9. The demand curve shows _____.

A. the relationship between the price of the good and quantity demanded of the good
B. the relationship between the price of the substitute good and quantity demanded of the good
C. the relationship between the price of the good and quantity supplied of the good
D. the relationship between the price of the good and quantity supplied of the good

10. If the price of a good change from RM2.50 per unit to RM3.00 per unit and other influences on sellers' plans remain the same, it will _____.

A. increase the quantity supplied
B. decrease the quantity supplied
C. shift the supply curve to rightward
D. shift the supply curve to leftward

11. What is the price elasticity of demand if the percentage change in the quantity demanded is smaller than the percentage change in price?

A. Less than 1.
B. More than 1.
C. Elastic demand.
D. Perfectly elastic demand.

12. "Luxury Sdn Bhd is selling Good X in Malaysia. When the country face economic downturn, the quantity demanded of Good X reduced 80% from previous demand. However, Luxury did not change the price of Good X."

Based on the above statement, Good X has a _____.

A. elastic demand
B. perfectly inelastic demand
C. perfectly elastic demand
D. inelastic demand

Continued .....

13. Based on Figure 2 below, the elasticity of supply is _____.

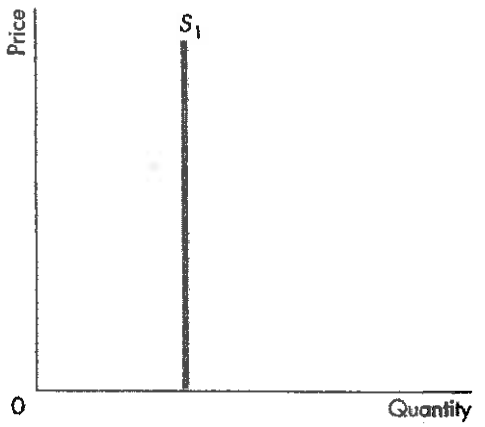

Figure 2

A. 0
B. 1
C. Infinity
D. Greater than 1

14. _____ is the most elastic.

A. Short-run supply
B. Long-run supply
C. Short-run demand
D. Long-run demand

15. Ariffin only buys cheese and biscuits. Which of the following factors is/are considered as the limitation for his consumption choices?

I. Income
II. The price of cheese
III. The price of biscuits
IV. The price of soda

A. I only
B. II and III
C. I, II and III
D. II, III and IV

Continued .....

16. Total utility is the total _____ a person gets from the consumption of goods.

A. benefit
B. cost
C. budget
D. preference

17. Table 1 below shows the Utility-Maximizing Choice for Julian. What is the combination of ice cream and pumpkin pie that gives Julian a consumer equilibrium?

Combination	Julian's Utility-Maximizing Choice				
	Ice cream		Total utility from ice cream and pumpkin pie	Pumpkin Pie	
	Quantity (pint per month)	Total utility		Total utility	Pie (per month)
A	0	0	260	260	10
B	2	100	330	230	6
C	4	150	273	123	2
D	6	176	176	0	0

Table 1

A. A
B. B
C. C
D. D

18. A constant rise of the price level is called _____.

A. inflation
B. deflation
C. hyperinflation
D. hyperdeflation

Continued .....

19. Figure 4 below shows an _____ curve.

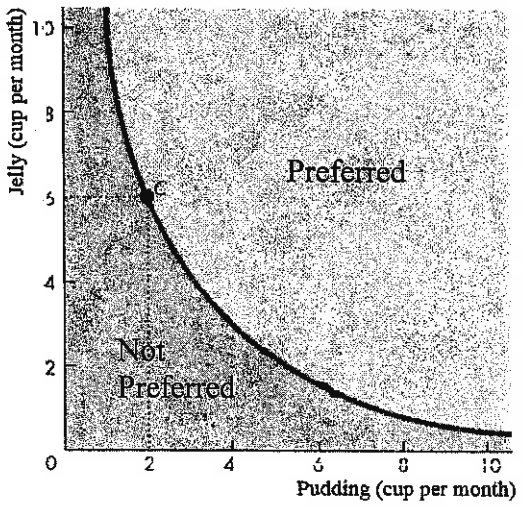

Figure 4

A. demand
B. supply
C. utility
D. indifferent

20. _____ profit takes the opportunity cost into account in calculating the total cost.

A. Accounting
B. Company
C. Economic
D. Business

21. A firm's _____ of production is the value of the best alternative use of the resources that a firm uses in production.

A. budget cost
B. profit
C. opportunity cost
D. revenue

Continued .....

22. Below are the examples of information constraints faced by a firm, **EXCEPT** _____.

I. upgrade technology for plants & machines
II. competitors' plan
III. future buying plans of the customers
IV. change of structure in economics

A. I and II
B. II and III
C. II, III and IV
D. IV only

23. Technological efficiency is when a firm produced the given quantity of output with the least amount of _____.

A. input
B. cost
C. knowledge
D. problem

24. Economic efficiency is when a firm produced the given quantity of output with the least ___.

A. input
B. cost
C. knowledge
D. problem

25. If AirAsia has several fixed capital including its airplane, maintenance shutters and baggage escalators, AirAsia is considered as in the _____.

A. short-run period
B. long-run period
C. half-time period
D. half-year period

Continued .....

26. Which market structure has the following characteristic?

I. Many firms
II. Product differentiation
III. Market power for each firm
IV. No entry barriers for new firms

A. Perfect competition
B. Monopoly
C. Oligopoly
D. Monopolistic competition

27. COB Corporation and RBR Corporation sells identical product and they only compete with each other. Because the raw materials used to produce the product is limited, the government has restricted any new company to enter the same industry as COB Corporation and RBR Corporation. This market structure is _____.

A. perfect competition market
B. oligopoly market
C. monopolistic competition market
D. monopoly market

28. **Economies of scale** occur when the cost of producing a unit of a good _____ as its output rate _____.

A. falls; constants
B. constants; falls
C. increases; falls
D. falls; increases

29. The following are the differences between domestic product with national product, **EXCEPT** _____.

A. national product does not include services by citizens
B. domestic product can be produced by foreigners in the country
C. national product is produced by citizens outside the country
D. domestic product is produced within the country

30. In order to calculate Gross Domestic Product (GDP) by income approach, an adjustment need to be made to _____.

A. factor cost
B. market prices
C. compensation to employees
D. net export

Continued .....

31. The following are the functions of money, **EXCEPT** _____.

A. medium of exchange
B. unit of account
C. commodity
D. store of value

32. Which of the following is the public authority that regulates a nation's depository institutions and controls the quantity of money?

A. Commercial bank
B. Depository institution
C. Non-financial institution
D. Central bank

33. M1 + time deposits + saving deposits + non-financial institution saving deposits.

What is the official measures of money based on above equation?

A. M1
B. M2
C. M3
D. M4

34. The purchase or sale of government securities by the central bank from or to a commercial bank or the public is called _____.

A. last resort loans
B. open market operations
C. required reserve ratios
D. the discount rates

35. When people decide to hold their money instead of keeping it in the bank, this leakage of reserves into currency is called _____.

A. the currency drain
B. the desired reserve ratio
C. the monetary based
D. the excess reserves

Continued .....

36. The commitments of fixed amounts of money for agreed-upon periods of time is called _____.

A. reserve
B. liquid Assets
C. securities
D. loans

37. The situation in which the unemployment rate equals the natural unemployment rate is called _____.

A. full employment
B. cyclical unemployment
C. structural unemployment
D. frictional unemployment

38. The Consumer Price Index might overstate the true inflation rate for the reasons of _____.

I. new goods bias
II. quality change bias
III. commodity substitution bias
IV. outlet substitution bias

A. I only
B. I and II
C. I, II and III
D. I, II, III and IV

39. Which of the person below is **NOT** categorised as a working-age population?

A. An engineer that has been working with the same company for 20 years.
B. A pharmaceutical graduates that is looking for a job every day.
C. A researcher that has been put into a psychiatry rehabilitation institute.
D. A 20 year old housewife that never work at all.

40. Lucas Scott is a professional basketball player who has been laid off for 6 months due to disciplinary issues. He is expected to come back to play the game in the next NBA season. Lucas is considered as _____.

A. not in the labor force
B. unemployed
C. under institutionalized
D. problematic

[TOTAL 40 MARKS]

Continued .....

SECTION B: TRUE AND FALSE QUESTIONS (10 Marks). Answers for this section should be shaded on the OMR form.

Mark "A" for the TRUE statement and "B" for the FALSE statement.

41. Goods and services are the objects that people value and produce to satisfy human wants.

42. Coffee and tea are the example of complementary goods.

43. A demand for private pool vacation in Maldives is generally elastic.

44. Brooke Davis has had achieved consumer equilibrium when she allocated all of her income to maximizes her total utility.

45. A firm is an institution that hires goods and services to produce and sell the factors of production.

46. Perfect competition is a market in which there are barriers to entry into the industry.

47. Gross national product is the market value of all final goods and services produced in a country in a given time period.

48. A 'means of payment' is a method of settling a debt.

49. The purpose of the unemployment rate is to measure the underutilization of labor resources.

50. A discouraged worker is a part of marginally attached worker.

[TOTAL 10 MARKS]

Continued .....

SECTION C: STRUCTURED QUESTIONS (50 Marks)

Answer ALL questions. Answers should be written in the answer booklet provided.

QUESTION 1

a) Explain the **FOUR (4)** factors of production in economics. Provide example for each category. (15 marks)

QUESTION 2

a) Briefly differentiate between the 'change in demand' and 'change in quantity demanded'. (4 marks)

b) Explain **THREE (3)** factors that cause changes in demand. (6 marks)

c) List **FIVE (5)** factors that cause changes in supply. (5 marks)

Continued .....

QUESTION 3

Table 2

Items	RM (billion)
Wages and salaries	200
Income from rent	3
Gross Private Domestic Investment	300
Export	100
Government Expenditure	150
Personal Consumption	1,500
Corporate tax	50
Import	20

a) Table 2 shows the annual data for Country X. Calculate the country's Gross Domestic Product by expenditure approach. (6 marks)

b) List **FOUR (4)** components in the circular flow diagram. (2 marks)

c) Briefly define the terms/concepts given below:

i. Depreciation (1 mark)
ii. Gross investment (1 mark)

QUESTION 4

a) Explain **THREE (3)** labor market indicators. (6 marks)

b) Explain **TWO (2)** types of unemployment. (4 marks)

[TOTAL 50 MARKS]

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